

CITY OF BELMOND

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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CITY OF BELMOND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Alan Mattison	Mayor	Jan 2016
Ron Allen	Council Member	Jan 2016
Leon Robertson-resigned Oct 2014	Council Member	Jan 2016
Emily Lamfers-Hill	Council Member	Jan 2016
Harlan Tulp	Council Member	Jan 2018
Rex Peterson	Council Member	Jan 2018
Jenna German	Council Member	Jan 2018
LeeAnn Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite



Renner & Birchem, PC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Belmond, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion and Qualified Opinion

The financial statements referred to above do not include financial data for the City's legally separate component units (Belmond Community Hospital and The Foundation and Friends). Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City issues financial statements

for the financial reporting entity that include the financial data for its component units. The City has not issued all such reporting entity financial statements; furthermore, no financial information was provided so the effect of the departure is unknown.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion and Qualified Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Belmond, Iowa, as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion and Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the aggregate remaining fund information of the City of Belmond, Iowa, as of June 30, 2015, and the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the City of Belmond adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Belmond's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2010, (none of which are presented here in) were audited by other auditors in accordance with standards referred to in the third paragraph of this report who expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 13 and 33 through 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2015 on our consideration of City of Belmond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Belmond's internal control over financial reporting and compliance.

November 5, 2015



Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belmond provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 77.9%, or \$1,431,368 from fiscal 2014 to fiscal 2015. Bond proceeds increased \$1,400,000 and property tax receipts decreased \$15,187.
- Disbursements increased 8.9% or \$145,687 in fiscal 2015 from fiscal 2014. Public works, community economic development, and general government disbursements increased \$66,141, \$21,268 and \$60,272, respectively. Public safety and debt service disbursements decreased \$9,495, and \$20,615, respectively.
- The City's total cash basis net position increased 51.6%, or \$1,448,378 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased \$1,498,932 and the cash basis net position of the business type activities decreased by \$50,554.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information that helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Tax and Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, water sinking and storm sewer, and sewer improvement funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1,565,978 to \$3,064,910. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 44,610	43,112
Operating grants, contributions and restricted interest	331,805	282,243
Capital grants, contributions and restricted interest	77,899	96,389
General receipts:		
Property tax	1,058,445	1,073,632
Local option tax	216,392	211,353
Unrestricted interest	3,066	1,971
Bond proceeds	1,400,000	
Other general receipts	140,984	133,133
Total receipts	<u>3,273,201</u>	<u>1,841,833</u>
Disbursements:		
Public safety	407,351	416,846
Public works	362,680	296,539
Health and social services	5,839	1,639
Culture and recreation	263,296	322,394
Community and economic development	31,803	10,535
General government	287,730	227,458
Debt service	293,858	314,473
Capital projects	125,712	42,698
Total disbursements	<u>1,778,269</u>	<u>1,632,582</u>
Change in cash basis net position before transfers	<u>1,494,932</u>	<u>209,251</u>
Transfers, net	<u>4,000</u>	<u>4,000</u>
Change in cash basis net position	<u>1,498,932</u>	<u>213,251</u>
Cash basis net position beginning of year	<u>1,565,978</u>	<u>1,352,727</u>
Cash basis net position end of year	<u>\$ 3,064,910</u>	<u>1,565,978</u>

The City's total receipts for governmental activities increased by 77.7%, or \$1,431,368. The total cost of all programs and services increased by \$145,687, or 8.9%, with no new programs added this year.

The cost of all governmental activities this year was \$1,778,269 compared to \$1,632,582 last year. However, as shown in the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$1,323,955 because some of the cost was paid by those directly benefiting from the programs (\$44,610) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$409,704). Overall, the

Changes in Cash Basis Net Position of Business Type Activities

Receipts:	Year Ended June 30,	
Program receipts:	2015	2014
Charges for service:		
Water	\$ 810,725	808,968
Sewer	416,982	408,144
Landfill	61,700	60,958
Storm sewer	60,204	60,594
Capital grants, contributions and restricted interest	135,480	1,635,991
General receipts:		
Unrestricted interest on investments	1,949	1,944
Bond proceeds	3,999,777	513,400
Other general receipts	17,940	25,259
Total receipts	<u>5,504,757</u>	<u>3,515,258</u>
Disbursements:		
Water	500,406	359,634
Sewer	250,646	268,216
Landfill	61,767	62,744
Storm sewer	11,368	3,714
Debt service	485,678	485,548
Capital projects	4,241,446	2,125,942
Total disbursements	<u>5,551,311</u>	<u>3,305,798</u>
Change in cash basis net position before transfers	(46,554)	209,460
Transfers, net	<u>(4,000)</u>	<u>(4,000)</u>
Change in cash basis net position	(50,554)	205,460
Cash basis net position beginning of year	<u>1,240,537</u>	<u>1,035,077</u>
Cash basis net position end of year	<u>\$ 1,189,983</u>	<u>1,240,537</u>

Total business type activities receipts for the fiscal year were \$5,504,757 compared to \$3,515,258 last year. This increase was due primarily to the increase in capital grants for the storm sewer project. Total disbursements, including debt service, for the fiscal year increased by \$2,245,513 to a total of \$5,551,311. This increase was due primarily to the cost of the storm sewer project. The cash balance decreased by \$50,554 during the fiscal year compared to an increase of \$205,460 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$3,064,910, an increase of \$1,498,932 from last year's total of \$1,505,978. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$64,219 from the prior year to \$179,516. The City intends to use these receipts to help offset future property tax increases.
- The Local Option Tax Fund cash balance increased by \$97,363 to \$896,278 during the fiscal year.
- There was a decrease in the Road Use Tax Fund cash balance of \$59,974 for an ending balance of \$33,102. The City intends to use this money to maintain the condition of city roads.
- There was an increase in the Debt Service Fund cash balance of \$3,620 for an ending balance of \$57,235.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$30,252 to \$103,030 during the fiscal year.
- The Enterprise, Sewer Fund cash balance increased by \$175,351 to \$724,592 during the fiscal year.
- The Enterprise, Water Sinking Fund cash balance decreased by \$202,118 to \$55,817 during the fiscal year.
- The Enterprise, Storm Sewer Fund cash balance decreased by \$57,091 to \$209,590 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amended budget was approved on May 18, 2015 to provide for a \$2,806,267 increase in disbursements for capital projects and additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$13,835,669 in bonds and other long-term debt outstanding, compared to \$8,979,126 at the end of the prior year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation bonds	\$ 3,178,000	2,020,000
Urban renewal tax increment financing revenue bonds		19,234
Revenue notes	10,657,669	6,939,892
Total	\$ 13,835,669	8,979,126

Debt increased as a result of anticipation notes for a sewer project. In addition the City issued general obligation bonds for street improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$3,178,000 is below its constitutional debt limit of \$4,876,656. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. Economic factors in the area remain steady as the county unemployment rate remains one of the lowest in the state.

These among other economic factors were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are \$4,071,960, an increase of 22.5% from the final 2015 budget. Budgeted disbursements are expected to decrease by \$5,415,357. The City has budgeted for street improvement projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$1,512,528 by the close of 2016. Actual amounts can and usually do differ from budgeted amounts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lee Ann Waltzing, City Manager/Clerk, 112 – 2nd Avenue NE, Belmond, Iowa 50421-1111.

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 407,351	425			(406,926)		(406,926)
Public works	362,680		247,063		(115,617)		(115,617)
Health and social services	5,839				(5,839)		(5,839)
Culture and recreation	263,296	44,185	84,742		(134,369)		(134,369)
Community and economic development	31,803				(31,803)		(31,803)
General government	287,730				(287,730)		(287,730)
Debt service	293,858				(293,858)		(293,858)
Capital projects	125,712			77,899	(47,813)		(47,813)
Total governmental activities	1,778,269	44,610	331,805	77,899	(1,323,955)		(1,323,955)
Business type activities:							
Water	987,160	810,725				(176,435)	(176,435)
Sewer	4,250,423	416,982				(3,833,441)	(3,833,441)
Landfill	60,691	61,700				1,009	1,009
Storm sewer	253,037	60,204		135,480		(57,353)	(57,353)
Total business type activities	5,551,311	1,349,611		135,480		(4,066,220)	(4,066,220)
Total	\$ 7,329,580	1,394,221	331,805	213,379	(1,323,955)	(4,066,220)	(5,390,175)
General Receipts and Transfers:							
Property tax levied for:							
General purposes					\$ 518,069		518,069
Tax increment financing					52,418		52,418
Employee benefits and insurance					195,837		195,837
Emergency					14,890		14,890
Debt service					214,491		214,491
Other city tax					62,740		62,740
Local option sales tax					216,392		216,392
Unrestricted interest on investments					3,066	1,949	5,015
Miscellaneous					139,849	17,940	157,789
Bond proceeds					1,400,000	3,999,777	5,399,777
Sale of capital assets					1,135		1,135
Transfers					4,000	(4,000)	
Total general receipts and transfers					2,822,887	4,015,666	6,838,553
Change in cash basis net assets					1,498,932	(50,554)	1,448,378
Cash basis net position beginning of year					1,565,978	1,240,537	2,806,515
Cash basis net position end of year					\$ 3,064,910	1,189,983	4,254,893
Cash Basis Net Position							
Restricted:							
Non expendable:							
Cemetery perpetual care					\$ 62,893		62,893
Expendable:							
Streets					33,102		33,102
Debt service					57,235	55,817	113,052
Other purposes					925,032		925,032
Unrestricted					1,986,648	1,134,166	3,120,814
Total cash basis net position					\$ 3,064,910	1,189,983	4,254,893

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue			Debt Service	Nonmajor	Total
	General	Local Option Tax	Road Use Tax			
Receipts:						
Property tax	\$ 518,069			214,491	210,727	943,287
Tax increment financing collections					52,418	52,418
Other city tax	20,679	216,392		8,350	21,156	266,577
Licenses and permits	23,904					23,904
Use of money and property	2,032	1,351		50	798	4,231
Intergovernmental	84,742		247,063	12,555		344,360
Charges for services	44,610					44,610
Miscellaneous	80,004				112,675	192,679
Total receipts	774,040	217,743	247,063	235,446	397,774	1,872,066
Disbursements:						
Operating:						
Public safety	407,351					407,351
Public works	17,018		345,662			362,680
Health and social services	5,839					5,839
Culture and recreation	249,129				14,167	263,296
Community and economic development	8,469				23,334	31,803
General government	287,730					287,730
Debt service				277,206	16,652	293,858
Capital projects					125,712	125,712
Total disbursements	975,536		345,662	277,206	179,865	1,778,269
Excess (deficiency) of receipts over (under) disbursements	(201,496)	217,743	(98,599)	(41,760)	217,909	93,797
Other financing sources (uses):						
Bond proceeds					1,400,000	1,400,000
Operating transfers in	264,580		40,625	45,380	44,673	395,258
Operating transfers out		(120,380)	(2,000)		(268,878)	(391,258)
Sale of capital assets	1,135					1,135
Total other financing sources (uses)	265,715	(120,380)	38,625	45,380	1,175,795	1,405,135
Net change in cash balances	64,219	97,363	(59,974)	3,620	1,393,704	1,498,932
Cash balances beginning of year	115,297	798,915	93,076	53,615	505,075	1,565,978
Cash balances end of year	\$ 179,516	896,278	33,102	57,235	1,898,779	3,064,910
Cash Basis Fund Balances						
Nonspendable - Cemetery perpetual care					62,893	62,893
Restricted for:						
Debt service				57,235		57,235
Other purposes		896,278	33,102		28,754	958,134
Assigned					1,807,132	1,807,132
Unassigned	\$ 179,516					179,516
Total cash basis fund balances	\$ 179,516	896,278	33,102	57,235	1,898,779	3,064,910

See notes to financial statements.

City of Belmont

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds					
	Water	Sewer	Water Sinking Fund	Storm Sewer	Sewer Improvement	Nonmajor Total
Operating receipts:						
Charges for services	\$ 810,725	416,982		60,204		1,349,611
Miscellaneous		10,087				13,140
Total operating receipts	810,725	427,069		60,204		1,362,751
Operating disbursements:						
Business type activities	500,406	250,646		11,368		824,187
Total operating disbursements	500,406	250,646		11,368		824,187
Excess of operating receipts over operating disbursements	310,319	176,423		48,836		538,564
Non-operating receipts (disbursements):						
Intergovernmental				135,480		135,480
Use of money and property	352	928	5,141	262		6,749
Bond proceeds					3,999,777	3,999,777
Debt service			(485,678)			(485,678)
Capital projects				(241,669)	(3,999,777)	(4,241,446)
Total non-operating receipts (disbursements)	352	928	(480,537)	(105,927)		(585,118)
Excess (deficiency) of receipts over (under) disbursements	310,671	177,351	(480,537)	(57,091)		(46,554)
Operating transfers in			278,419			278,419
Operating transfers out	(280,419)	(2,000)				(282,419)
Total operating transfers in (out)	(280,419)	(2,000)	278,419			(4,000)
Net change in cash balances	30,252	175,351	(202,118)	(57,091)		(50,554)
Cash balances beginning of year	72,778	549,241	257,935	266,681		1,240,537
Cash balances end of year	\$ 103,030	724,592	55,817	209,590		1,189,983
Cash Basis Fund Balances						
Restricted for debt service			55,817			55,817
Unrestricted	\$ 103,030	724,592		209,590		1,134,166
Total cash basis fund balances	\$ 103,030	724,592	55,817	209,590		1,189,983

See notes to financial statements.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Belmond is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City of Belmond also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Belmond has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Belmond (the primary government) and do not include its component units, Belmond Community Hospital (Hospital) and the Belmond Public Library Foundation (Foundation) which also includes Friends of the Talbot Belmond Public Library (Friends).

Excluded Component Units

The Hospital is governed by its own Board of Trustees and is dependent on the City Council to approve any debt or payment thereof in excess of the amount of taxes already levied. The Hospital issues its own financial statements prepared in accordance with generally accepted accounting principles. Management has elected to exclude all financial information of the Hospital for financial reporting purposes. A copy of the Hospital's financial statements may be obtained from Lee Ann Waltzing, City Manager/Clerk, Belmond City Hall, Belmond, Iowa.

The Foundation and Friends (an Iowa nonprofit corporation) is a legally separate entity from the City. The Foundation and Friends are governed by their own board. The Foundation and Friends were formed for the direct benefit of the Talbot Belmond Public Library (Library). Economic resources received by the Foundation and Friends are used for the direct benefit of the Library and, therefore, the City's constituents.

The Foundation and Friends has a December year end. The Foundation and Friends do not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Foundation and Friends from City financial statements. Unaudited financial information from the Foundation and Friends' fiscal year end 2014 tax return includes total receipts of \$27,893, cash disbursements of \$15,688, a beginning balance of \$119,218 and an ending balance of \$134,906. Therefore, to avoid material misstatements of govern-

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

mental activities and aggregate nonmajor fund information of the City, the Foundation and Friends should be included as a discrete component unit in the City's financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Assessor's Conference Board, Wright County Communications Commission, Wright County Area Landfill Authority, MIDAS Council of Government and the Mid-Iowa Regional Housing Association.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which the required cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and emergency services and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Fund is used to account for local option tax receipts and disbursements.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Water Sinking Fund is utilized to account for transfers and other receipts to be used for the payments of interest and principal on the City's revenue notes.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

The Enterprise, Sewer Improvement is utilized to account for bond proceeds and capital project payments.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the proceeding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

(2) Cash and Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments during the year ended June 30, 2015.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (fund expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 264,000	75,650	4,963,669	179,544	5,227,669	255,194
2017	286,000	69,773	301,000	170,820	587,000	240,593
2018	288,000	65,646	310,000	161,790	598,000	227,436
2019	303,000	60,771	320,000	152,490	623,000	213,261
2020	226,000	56,660	331,000	142,890	557,000	199,550
2021-2025	1,172,000	205,759	1,823,000	558,870	2,995,000	764,629
2026-2030	639,000	76,735	2,139,000	267,120	2,778,000	343,855
2031			470,000	14,100	470,000	14,100
	<u>\$ 3,178,000</u>	<u>610,994</u>	<u>10,657,669</u>	<u>1,647,624</u>	<u>13,835,669</u>	<u>2,258,618</u>

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,093,000 of water revenue notes issued in September 2011. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2031. The total principal and interest remaining to be paid on the notes is \$7,726,629. For the current year, principal and interest paid and total customer receipts were \$470,010 and \$310,319, respectively.

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$5,500,000 of sewer revenue notes issued in June 2015. During fiscal year 2015 the City drew down \$3,999,777 of the Sewer Revenue Capital Loan Note Anticipation Project Notes, Series 2015 with remaining \$827,331 to be drawn over the course of the City's project. Proceeds from the notes provided financing for the construction of the city sewer utility. The notes are payable to First State Bank from the Project Fund established to which the City pledges proceeds not to exceed \$5,750,000 Sewer Revenue Capital Loan Notes, and are payable on December 1, 2015 with an interest rate of 2.22%.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The water revenue notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

The City's contributions to IPERS for the year ended June 30, 2015 were \$60,207.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$212,828. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0053644 percent, which was a decrease of 0.0012748 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$58,201, \$14,330 and \$150,652 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 542,579	\$ 212,828	\$ (65,364)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 12 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2015, the City contributed \$121,090.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation hours payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2015</u>
Vacation	\$ <u>30,545</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$178,748
	Local Option	75,000
	Road Use Tax	2,000
	Tax Increment Financing	5,458
	Enterprise	
	Water	2,000
	Sewer	<u>2,000</u>
		<u>265,206</u>
Special Revenue:	Special Revenue:	
Equipment Replacement	Emergency	<u>16,197</u>
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>40,625</u>
T.I.F Sinking	Special Revenue:	
	Tax Increment Financing	<u>27,850</u>
Debt Service	Special Revenue:	
	Local Option	<u>45,380</u>
Enterprise:	Enterprise:	
Water Sinking	Water	<u>278,419</u>
Total		<u>\$673,677</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$137,134 during the year ended June 30, 2015.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

(9) Risk Management

The City of Belmond is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$64,173.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts total Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City of Belmond also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and airport liability in the amount of \$29,829 and \$1,884, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. There have not been any claims from this risk in any of the past three fiscal years.

(10) Wright County Area Landfill Authority

The City is a member of the Wright County Area Landfill Authority (Authority) which provides for the collection and disposal of solid waste produced or generated within the municipalities that are members. On dissolution of the corporation, the net position of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2015, the City of Belmond paid the Authority \$59,400 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

(11) Commitments

The City has entered into construction contracts totaling \$4,879,000 for the Wastewater Treatment Facility improvements project. As of June 30, 2015 \$3,993,099 had been paid on the contract leaving a balance of \$885,901.

(12) Belmond Medical Center

On August 18, 2011, the Medical Center closed on Series 2010A Taxable Revenue Bonds, in the sum of not to exceed \$21,600,000. Principal payments are payable annually on August 18, starting on August 18, 2013, through August 18, 2050. The bonds are collateralized by a pledge of the Medical Center's net revenues. During fiscal year 2015, the Medical Center made interest payments of \$838,513. The balance of bonds as of June 30, 2015 is \$20,811,057.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2015

On August 18, 2011, the Medical Center closed on Series 2010B/C Revenue Bonds, in the sum of not to exceed \$2,400,000. Principal payments are payable monthly starting on August 1, 2013. The bonds are collateralized by a pledge of the Medical Center's net revenues. During fiscal year 2015, the Medical Center made interest payments of \$112,572. The balance of the bonds 2010B/C as of June 30, 2015 is \$2,313,349.

(13) Date of Management Evaluation

The City has evaluated subsequent events through November 5, 2015, the date which financial statements were available to be issued.

OTHER INFORMATION

City of Belmont

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 943,287		943,287	982,182	951,289	(8,002)
Tax increment financing collections	52,418		52,418	53,177	44,752	7,666
Other city tax	266,577		266,577	246,650	272,748	(6,171)
Licenses and permits	23,904		23,904	5,075	5,075	18,829
Use of money and property	4,231	6,749	10,980	14,955	14,955	(3,975)
Intergovernmental	344,360	135,480	479,840	731,040	468,141	11,699
Charges for services	44,610	1,349,611	1,394,221	1,403,950	1,326,249	67,972
Miscellaneous	192,679	13,140	205,819	351,247	239,885	(34,066)
Total receipts	1,872,066	1,504,980	3,377,046	3,788,276	3,323,094	53,952
Disbursements:						
Public safety	407,351		407,351	429,393	421,559	14,208
Public works	362,680		362,680	284,346	381,986	19,306
Health and social services	5,839		5,839	6,139	6,139	300
Culture and recreation	263,296		263,296	276,898	300,443	37,147
Community and economic development	31,803		31,803	289,444	39,444	7,641
General government	287,730		287,730	272,470	311,970	24,240
Debt service	293,858		293,858	311,581	311,581	17,723
Capital projects	125,712		125,712	1,811,714	1,636,714	1,511,002
Business type activities		5,551,311	5,551,311	4,511,593	7,590,009	2,038,698
Total disbursements	1,778,269	5,551,311	7,329,580	8,193,578	10,999,845	3,670,265
Excess (deficiency) of receipts over (under) disbursements	93,797	(4,046,331)	(3,952,534)	(4,405,302)	(7,676,751)	3,724,217
Other financing sources, net	1,405,135	3,995,777	5,400,912	4,441,321	7,257,655	(1,856,743)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,498,932	(50,554)	1,448,378	36,019	(419,096)	1,867,474
Balances beginning of year	1,565,978	1,240,537	2,806,515	2,749,203	2,749,203	57,312
Balances end of year	\$ 3,064,910	1,189,983	4,254,893	2,785,222	2,330,107	1,924,786

City of Belmont

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,806,267. The budget amendment is reflected in the final budgeted amounts.

City of Belmond
Schedule of the City's Proportionate Share of Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0053664%
City's proportionate share of the net pension liability	\$ 212,828
City's covered-employee payroll	\$ 625,277
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.04%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Belmond
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 58,346	58,201	55,671	51,360	46,136	46,413	39,693	41,167	36,991	36,983
Contributions in relation to the statutorily required contribution	(58,346)	(58,201)	(55,671)	(51,360)	(46,136)	(46,413)	(39,693)	(41,167)	(36,991)	(36,983)
Contribution deficiency (excess)										
City's covered-employee payroll	\$ 623,113	625,277	606,527	591,751	578,994	622,059	568,618	602,415	549,234	541,375
Contributions as a percentage of covered-employee payroll	9.36%	9.31%	9.18%	8.68%	7.97%	7.46%	6.98%	6.83%	6.74%	6.83%

See accompanying independent auditor's report.

City of Belmont

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

City of Belmont

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue								
	Equipment Replacement	Employee Benefits	Emergency	Urban Renewal Tax Increment	Economic Development	Housing Assistance	T.I.F Sinking Fund	Memorial Park Fund	Veterans Memorial Fund
Receipts:									
Property tax		195,837	14,890						
Tax increment financing collections				52,418					
Other city tax		19,663	1,493						
Use of money and property	\$ 154	10	2	11	170	2	12	9	10
Miscellaneous		6,912			19,954			5,806	
Total receipts	154	222,422	16,385	52,429	20,124	2	12	5,815	10
Disbursements:									
Operating:									
Culture and recreation								5,456	
Community and economic development				8,641	14,693				
Debt service							16,652		
Capital projects									
Total disbursements				8,641	14,693		16,652	5,456	
Excess (deficiency) of receipts over (under) disbursements	154	222,422	16,385	43,788	5,431	2	(16,640)	359	10
Other financing sources (uses):									
Bond proceeds									
Operating transfers in	16,197						27,850	626	
Operating transfers out		(219,373)	(16,197)	(33,308)					
Total other financing sources (uses):	16,197	(219,373)	(16,197)	(33,308)			27,850	626	
Net change in cash balances	16,351	3,049	188	10,480	5,431	2	11,210	985	10
Cash balances beginning of year	95,676	627	29	15	106,369	6,038	318	6,113	6,288
Cash balances end of year	\$ 112,027	3,676	217	10,495	111,800	6,040	11,528	7,098	6,298
Cash Basis Fund Balances									
Nonspendable - cemetery perpetual care									
Restricted for other purposes				10,495			11,528		
Assigned	\$ 112,027	3,676	217		111,800	6,040		7,098	6,298
Total cash basis fund balances	\$ 112,027	3,676	217	10,495	111,800	6,040	11,528	7,098	6,298

City of Belmont

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue		Capital Projects					Permanent	
	Restitution Fund	Christmas Decoration Fund	Pool	Industrial Park	Streets	Sidewalk Project	Traffic Lights	Cemetery Perpetual Care	Total
Receipts:									
Property tax									210,727
Tax increment financing collections									52,418
Other city tax									21,156
Use of money and property	11	30	54	169	139	1	14		798
Miscellaneous		1,431	74,046			2,055	1,421	1,050	112,675
Total receipts	11	1,461	74,100	169	139	2,056	1,435	1,050	397,774
Disbursements:									
Operating:									
Culture and recreation		8,711							14,167
Community and economic development									23,334
Debt service									16,652
Capital projects			122,587			3,125			125,712
Total disbursements		8,711	122,587			3,125			179,865
Excess (deficiency) of receipts over (under) disbursements	11	(7,250)	(48,487)	169	139	(1,069)	1,435	1,050	217,909
Other financing sources (uses):									
Bond proceeds					1,400,000				1,400,000
Operating transfers in									44,673
Operating transfers out									(268,878)
Total other financing sources (uses):					1,400,000				1,175,795
Net change in cash balances	11	(7,250)	(48,487)	169	1,400,139	(1,069)	1,435	1,050	1,393,704
Cash balances beginning of year	6,720	27,524	71,851	105,725		1,072	8,867	61,843	505,075
Cash balances end of year	6,731	20,274	23,364	105,894	1,400,139	3	10,302	62,893	1,898,779
Cash Basis Fund Balances									
Nonspendable - cemetery perpetual care								62,893	62,893
Restricted for other purposes	6,731								28,754
Assigned		20,274	23,364	105,894	1,400,139	3	10,302		1,807,132
Total cash basis fund balances	6,731	20,274	23,364	105,894	1,400,139	3	10,302	62,893	1,898,779

See accompanying independent auditor's report.

City of Belmont

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	Landfill	Customer Deposits	Total
Operating receipts:			
Charges for services	\$ 61,700		61,700
Miscellaneous		3,053	3,053
Total operating receipts	61,700	3,053	64,753
Operating disbursements:			
Business type activities	60,691	1,076	61,767
Total operating disbursements	60,691	1,076	61,767
Excess (deficiency) of receipts over (under) disbursements	1,009	1,977	2,986
Non-operating receipts (disbursements):			
Use of money and property	66		66
Total other financing sources (uses):	66		66
Net change in cash balances	1,075	1,977	3,052
Cash balances beginning of year	50,373	43,529	93,902
Cash balances end of year	\$ 51,448	45,506	96,954
Unrestricted	\$ 51,448	45,506	96,954
Total cash basis fund balances	\$ 51,448	45,506	96,954

See accompanying independent auditor's report.

City of Belmont

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Street improvement	3-20-03	.50 - 1.85	1,800,000	\$ 690,000		130,000	560,000	9,618
Street improvement	3-27-07	.50 - 2.85	1,115,000	970,000		72,000	898,000	20,209
Fire truck	2-1-13	.60 - 2.50	400,000	360,000		40,000	320,000	5,380
Street improvement	5-1-15	.60 - 4.25	1,400,000		1,400,000		1,400,000	
Total				2,020,000	1,400,000	242,000	3,178,000	35,207
Urban Renewal Tax Increment								
Financing (TIF) Revenue Bonds:								
Dumond Estates	2-18-98	5.00%	400,000	16,233		16,233		419
Total				16,233		16,233		419
Revenue notes:								
Water	9-15-10	3.00%	7,093,000	6,267,000		282,000	5,985,000	5,380
Anticipation Note	6-3-13	2.22%	5,500,000 (A)	672,892	3,999,777		4,672,669	188,010
Total				6,939,892	3,999,777	282,000	10,657,669	193,390
Total				\$ 8,976,125	5,399,777	540,233	13,835,669	229,016

(A) On June 3, 2013 the City closed on Sewer Revenue Capital Loan Note Anticipation Project Notes, Series 2015, in the sum not to exceed \$5,500,000. During fiscal year 2015, the City drew down \$3,999,777 of the Sewer Revenue Capital Loan Note Anticipation Project Notes with the remaining \$827,331 to be drawn on or before December 1, 2015.

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2015

General Obligation Bonds and Notes

Year Ending June 30,	Street Improvement		Street Improvement		Fire Truck		Street Improvement		
	Issued March 20, 2003		Issued March 27, 2007		Issued February 1, 2013		Issued May 1, 2015		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2016	1.35%	\$ 130,000	1.35%	75,000	.85%	40,000	.60%	19,000	264,000
2017	1.45	140,000	1.45	78,000	1.10	40,000	0.90	28,000	286,000
2018	1.65	140,000	1.65	80,000	1.30	40,000	1.20	28,000	288,000
2019	1.85	150,000	1.85	84,000	1.50	40,000	1.50	29,000	303,000
2020			2.10	87,000	1.70	35,000	1.75	104,000	226,000
2021			2.30	90,000	1.90	35,000	2.00	106,000	231,000
2022			2.50	95,000	2.10	30,000	2.25	108,000	233,000
2023			2.65	99,000	2.30	30,000	2.50	110,000	239,000
2024			2.75	103,000	2.50	30,000	2.75	113,000	246,000
2025			2.85	107,000			3.00	116,000	223,000
2026							3.25	120,000	120,000
2027							3.50	124,000	124,000
2028							3.75	128,000	128,000
2029							4.00	133,000	133,000
2030							4.25	134,000	134,000
Total		<u>\$ 560,000</u>		<u>898,000</u>		<u>320,000</u>		<u>1,400,000</u>	<u>3,178,000</u>

Revenue Notes

Year Ending June 30,	Water		Sewer		Total
	Issued September 15, 2010		Issued June 3, 2013		
	Interest Rates	Amount	Interest Rates	Amount	
2016	3.00%	\$ 291,000	2.22%	5,500,000	5,791,000
2017	3.00	301,000			301,000
2018	3.00	310,000			310,000
2019	3.00	320,000			320,000
2020	3.00	331,000			331,000
2021	3.00	342,000			342,000
2022	3.00	353,000			353,000
2023	3.00	364,000			364,000
2024	3.00	376,000			376,000
2025	3.00	388,000			388,000
2026	3.00	401,000			401,000
2027	3.00	414,000			414,000
2028	3.00	427,000			427,000
2029	3.00	441,000			441,000
2030	3.00	456,000			456,000
2031	3.00	470,000			470,000
Total		<u>\$ 5,985,000</u>		<u>5,500,000</u>	<u>11,485,000</u>

See accompanying independent auditor's report.

City of Belmond

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 943,287	966,800	895,591	920,517	912,289	869,542	846,658	816,941	807,969	799,193
Tax increment financing	52,418	51,814	50,093	52,519	47,089	40,618	39,152	31,553	32,141	28,059
Other city tax	266,577	266,371	267,894	295,202	219,053	250,904	251,879	252,173	250,913	207,637
Licenses and permits	23,904	4,605	4,850	5,644	6,482	6,172	6,758	7,074	5,199	6,178
Use of money and property	4,231	3,336	5,375	12,527	4,396	9,727	20,427	58,926	37,314	22,272
Intergovernmental	344,360	282,243	307,499	290,886	320,605	355,559	376,792	324,731	369,554	247,258
Charges for service	44,610	43,112	38,771	42,642	45,551	53,498	39,382	42,258	45,179	37,609
Special assessments						28		32	18	
Miscellaneous	192,679	215,201	142,862	112,335	92,148	73,185	98,711	262,168	203,188	213,431
Total	<u>\$ 1,872,066</u>	<u>1,833,482</u>	<u>1,712,935</u>	<u>1,732,272</u>	<u>1,647,613</u>	<u>1,659,233</u>	<u>1,679,759</u>	<u>1,795,856</u>	<u>1,751,475</u>	<u>1,561,637</u>
Disbursements:										
Operating:										
Public safety	\$ 407,351	416,846	797,336	464,164	385,194	411,557	420,551	394,758	403,876	374,039
Public works	362,680	296,539	306,813	232,960	360,605	245,066	221,402	257,042	234,675	267,905
Health and social services	5,839	1,639	1,819	1,639	1,639	11,865	8,850	6,125	13,265	625
Culture and recreation	263,296	322,394	276,295	270,819	245,914	288,722	300,586	258,554	337,101	321,933
Community and economic development	31,803	10,535	93,509	12,401	47,135	65,618	109,905	98,908	137,154	30,618
General government	287,730	227,458	204,630	210,228	190,683	220,688	230,632	204,863	185,489	164,758
Debt service	293,858	314,473	283,693	425,893	536,779	485,697	494,270	484,029	393,643	1,294,286
Capital projects	125,712	42,698	24,492	9,486	14,365	460,836	80,617	1,147,992	125,164	33,284
Total	<u>\$ 1,778,269</u>	<u>1,632,582</u>	<u>1,988,587</u>	<u>1,627,590</u>	<u>1,782,314</u>	<u>2,190,049</u>	<u>1,866,813</u>	<u>2,852,271</u>	<u>1,830,367</u>	<u>2,487,448</u>

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Belmond, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 2015. Our report expressed a qualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Belmond's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Belmond's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Belmond's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Belmond's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmond's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Belmond's Responses to Findings


City of Belmond's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Belmond's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Belmond during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

November 5, 2015


Renner & Birchem, P.C.
Britt, Iowa

City of Belmond

Schedule of Findings

Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will investigate this and continue to implement procedures where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-15 Deposits – A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However, the maximum amount which may be kept on deposit in each depository was exceeded during the year.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of Code of Iowa. The depository resolution should be updated.

Response – We have adopted a resolution to update the amounts of depositories.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

City of Belmond

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015, did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harlan Tulp, Council Member Owner H & K Plumbing	Repairs Construction, per bid	\$ 1,915 133,335
Sondra Godsell, Employee Spouse First Gabrielson Agency	Insurance	1,884

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member, Harlan Tulp, and employee spouse may represent a conflict of interest since competitive bidding was not utilized for all transactions and total of the transactions for which no bid was received was in excess \$1,500. The construction transaction with the council member does not appear to be a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

Recommendation – The City should use a competitive bidding process when practicable.

Response – The transactions that were not bid were normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion – Response accepted.

II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Belmond

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: (con't)

- II-G-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted, other than the depository resolution as reported in Part I.
- II-H-15 Revenue Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-15 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.